

Message Text

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PAGE 01 MANILA 09226 070948Z

21

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 H-02 L-03 ARA-06 AF-06 EUR-12

AGR-05 CIAE-00 COME-00 INR-07 LAB-04 NSAE-00 SP-02

STR-04 TRSE-00 CIEP-01 FRB-03 OMB-01 /070 W

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R 070836Z JUL 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5160

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E.O. 11652: N/A

TAGS: ETRD, EAGR, RP

SUBJECT: RECENT SUGAR DEVELOPMENTS

PASS USDA/FAS/STARKEY/S&TP

REF: A) STATE 141876; B) MANILA 9016

1. THE PRESIDENT MET WITH OFFICIALS OF THE SUGAR INDUSTRY ON JUNE 27 TO REASSESS THE NATIONAL SUGAR POLICY IN LIGHT OF CURRENT PRICE TRENDS IN THE WORLD MARKET.

2. ACCORDING TO THE PRESS, PANFILO DOMINGO, PRESIDENT OF THE PHILIPPINE NATIONAL BANK (PNB) SOUGHT PERMISSION FROM PRESIDENT MARCOS

TO WITHDRAW PNB BACKING OF SUGAR TRADING OPERATIONS BECAUSE OF THE SLUMP

IN WORLD PRICES. REPORTEDLY, THE PRESIDENT REFERRED THE REQUEST TO A STUDY GROUP BUT AT THE SAME TIME, SAID THAT ALTERNATIVE SCHEMES SHOULD BE CONSIDERED TO ENABLE PNB TO CONTINUE WITH SUGAR TRADING ACTIVITIES.

3. THE PRESIDENT OF THE NATIONAL FEDERATION OF SUGAR CANE PLANTERS REPORTED TO THE PRESIDENT THAT THERE WAS MUCH ANXIETY AMONG THE LIMITED OFFICIAL USE

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PAGE 02 MANILA 09226 070948Z

PLANTERS AND THAT MANY GROWERS WERE CONSIDERING SWITCHING TO PRODUCTION

OF RICE, CORN AND OTHER CROPS.

4. JOSE UNSON OF THE SUGAR QUOTA ADMINISTRATION REPORTED THAT THE SUGAR CROP MAY BE 100,000 SHORT TONS BELOW LAST YEAR'S RECORD 2,695,000 SHORT TONS. HE ATTRIBUTED THIS REDUCED ESTIMATE TO HIGH FERTILIZER PRICES AND THE ALTERNATING OCCURRENCES OF TYPHOONS AND DROUGHTS.

5. ACCORDING TO AN ARTICLE IN THE BULLETIN TODAY OF JULY 3, THE GOP IS SHOWING, FOR THE FIRST TIME SINCE THE TERMINATION OF THE U.S. SUGAR ACT LAST YEAR, AN ACTIVE INTEREST IN PURSUING SALES TO THE U.S. THE ARTICLE REITERATED THAT THE PHILIPPINES STILL QUALIFIES TO SUPPLY A SIGNIFICANT PORTION OF THE U.S. SUGAR IMPORTS ACCORDING TO THE FIVE CRITERIA USED IN DETERMINING SUPPLIERS TO THE U.S. SUGAR MARKET UNDER THE EXPIRED SUGAR ACT. THE ARTICLE GOES ON TO CITE THAT THE PHILIPPINES HAS BEEN VERY ACCOMMODATING TO AMERICAN CITIZENS IN SOLVING THEIR PROBLEMS BROUGHT ABOUT BY THE TERMINATION OF THE LAUREL-LANGLEY ACT LAST YEAR AND LEAVES THE IMPLICIT IMPRESSION THAT THE U.S. SHOULD NOW RECIPROCATATE BY BUYING SOME PHILIPPINE SUGAR.

6. ON JUN 27 THE DONA CORAZON II SAILED FOR THE U.S. WITH 27,888 SHORT TONS ABOARD. WE HAVE INFORMATION FROM A USUALLY RELIABLE SOURCE THAT THIS IS AN ISOLATED SALE; HOWEVER, IT COULD SET THE TONE FOR THE RENEWAL OF LARGER CONTRACTS TO THE U.S. MARKET.

7. WE ALSO HAVE LEARNED THAT A FOUR-MAN PHILIPPINE GOVERNMENT-INDUSTRY SUGAR TEAM IS SCHEDULED TO VISIT THE U.S. IN MID-JULY TO "INVESTIGATE" THE SUGAR MARKET.

8. COMMENT. SUGAR PRODUCED AS OF JUNE 22 AMOUNTED TO 2,525,000 SHORT TONS AND MILLINGS BY THE END OF THE CROP YEAR (AUGUST 31) COULD EASILY EXCEED 2650,000 SHORT TONS. WHILE UNSON'S REASONS FOR THE SHORTFALL ARE HIGH FERTILIZER PRICES, TYPHOON AND DROUGHT, AGATTACHE FEELS THAT ANY SHORTFALL IN OUR LAST ESTIMATE OF 2,735,000 TONS WILL BE DUE MOSTLY TO EARLIER THAN USUAL TERMINATION

OF MILLINGS CAUSED BY OVERFLOWING SUGAR WAREHOUSES.
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PAGE 03 MANILA 09226 070948Z

ON DOMINGO'S STATEMENT ABOUT PNB WITHDRAWAL FROM SUGAR MARKETING, ONE KNOWLEDGEABLE INDUSTRY CONTACT SAID THAT WHILE HE DID NOT KNOW HOW TO INTERPRET DOMINGO'S STATEMENT, HE WAS SURE IT DID NOT MEAN THAT THE GOP HAS ANY IMMEDIATE INTENTION OF TURNING SUGAR TRADING BACK TO THE PRIVATE SECTOR. PURNELL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, POLICIES, PRODUCTION, US CONGRESSIONAL HEARINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA09226
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750233-0678
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750781/aaaacukj.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 141876, 75 MANILA 9016
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2003 by CunninFX>; APPROVED <19 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECENT SUGAR DEVELOPMENTS PASS USDA/FAS/STARKEY/S&TP
TAGS: ETRD, EAGR, RP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006